

KIDS ON THE MOVE, INC.

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION AND REPORTS
IN ACCORDANCE WITH GOVERNMENT AUDITING
STANDARDS AND OMB CIRCULAR A-133**

Years Ended June 30, 2006 and 2005

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GILBERT & STEWART

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A PROFESSIONAL CORPORATION

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Kids on the Move, Inc.

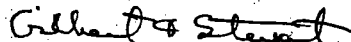
We have audited the accompanying statements of financial position of Kids on the Move, Inc., (a nonprofit organization) as of June 30, 2006 and 2005 and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of Kids on the Move, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kids on the Move, Inc. as of June 30, 2006 and 2005, and the results of its activities and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 21, 2006, on our consideration of Kids on the Move, Inc.'s internal controls over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audits were performed for the purpose of forming an opinion on the basic financial statements of Kids on the Move, Inc., taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The Schedule of Functional Expenses is presented for the purposes of additional analysis and is not a required part of the financial statements of Kids on the Move, Inc. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and we express no opinion on it.


GILBERT & STEWART
Certified Public Accountants

September 21, 2006

KIDS ON THE MOVE, INC.
STATEMENTS OF FINANCIAL POSITION

June 30, 2006 and 2005

	2006	2005
Assets:		
Cash	\$ 162,296	\$ 361,257
Accounts receivable	197,833	23,496
Marketable securities	1,443,476	891,920
Prepaid expenses and deposits	631	493
Net fixed assets	<u>2,463,042</u>	<u>2,350,959</u>
Total assets	<u>\$ 4,267,278</u>	<u>\$ 3,628,125</u>
Liabilities:		
Accounts and contracts payable	\$ 6,626	\$ 15,352
Line of credit	30,000	-
Accrued wages and related liabilities	166,881	136,147
Deferred revenue	<u>-</u>	<u>8,644</u>
Total liabilities	203,507	160,143
Net Assets:		
Unrestricted, undesignated	1,584,544	1,104,982
Unrestricted, designated for endowment	1,000	1,000
Unrestricted, designated for net fixed assets	2,463,042	2,350,959
Temporarily restricted	5,185	11,041
Permanently restricted	<u>10,000</u>	<u>-</u>
Total net assets	<u>4,063,771</u>	<u>3,467,982</u>
Total liabilities and net assets	<u>\$ 4,267,278</u>	<u>\$ 3,628,125</u>

The accompanying notes are an integral part of these statements.

KIDS ON THE MOVE, INC.
STATEMENTS OF ACTIVITIES
Years Ended June 30, 2006 and 2005

	2006	2005
Unrestricted Net Assets:		
Revenue and support:		
State appropriation	\$ 713,643	\$ 695,901
Federal revenues	1,708,333	1,832,732
Program service revenue	256,993	168,363
United Way allocation	10,770	4,183
Contributions	594,901	347,044
In-kind contributions	256,149	70,500
Interest earned	81,831	28,466
Gain (loss) on investment in marketable securities	(45,771)	91
Loss from disposal of fixed assets	-	(2,441)
Net assets released from restrictions	<u>7,856</u>	<u>101,623</u>
Total revenue and support	3,584,705	3,246,462
Expenses:		
Program services:		
Early Intervention	1,859,569	1,776,902
Early Head Start	700,334	648,369
Supporting services:		
Management and general	<u>433,157</u>	<u>365,762</u>
Total expenses	<u>2,993,060</u>	<u>2,791,033</u>
Change in unrestricted net assets	591,645	455,429
Temporarily Restricted Net Assets:		
Contributions	2,000	6,000
Net assets released from restrictions	<u>(7,856)</u>	<u>(101,623)</u>
Change in temporarily restricted net assets	(5,856)	(95,623)
Permanently Restricted Net Assets:		
Contributions	<u>10,000</u>	<u>-</u>
Change in Net Assets	595,789	359,806
Net Assets at July 1	<u>3,467,982</u>	<u>3,108,176</u>
Net Assets at June 30	<u><u>\$ 4,063,771</u></u>	<u><u>\$ 3,467,982</u></u>

The accompanying notes are an integral part of these statements.

KIDS ON THE MOVE, INC.
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2006 and 2005

	2006	2005
Cash Flows from Operating Activities:		
Cash received from grantors	\$ 2,263,393	\$ 2,355,406
Cash received from donors	376,311	344,271
Cash received from service recipients	238,956	316,385
Interest received	81,831	28,466
Cash paid to employees	(2,299,550)	(2,165,745)
Cash paid to suppliers	(275,166)	(309,827)
Net cash provided by operating activities	385,775	568,956
Cash Flows from Investing Activities:		
Purchases of marketable securities	(750,000)	(279,170)
Proceeds from sale of marketable securities	152,673	-
Purchases of fixed assets	(17,409)	(15,048)
Net cash used by investing activities	(614,736)	(294,218)
Cash Flows from Financing Activities:		
Borrowing on line of credit	30,000	-
Net Change in Cash	(198,961)	274,738
Cash at July 1	361,257	86,519
Cash at June 30	<u>\$ 162,296</u>	<u>\$ 361,257</u>

Supplemental Information:

A reconciliation of the change in net assets to cash flows provided by operating activities for the years ended June 30, 2006 and 2005, follows:

	2006	2005
Change in net assets	\$ 595,789	\$ 359,806
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	140,325	143,324
In-kind contributions	(234,999)	-
Loss from disposal of fixed assets	-	2,441
(Gain) loss on investment in marketable securities	45,771	(91)
Change in operating assets and liabilities:		
Accounts receivable	(174,337)	52,103
Prepaid expenses and deposits	(138)	(293)
Accounts and contracts payable	(8,726)	(5,322)
Accrued wages and related liabilities	30,734	8,344
Deferred revenue	(8,644)	8,644
Net cash provided by operating activities	<u>\$ 385,775</u>	<u>\$ 568,956</u>

The accompanying notes are an integral part of these statements.

KIDS ON THE MOVE, INC.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

The financial statements of Kids on the Move, Inc., have been prepared on the accrual basis following the accounting principles generally accepted for voluntary health and welfare organizations. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Reporting Entity - Kids on the Move, Inc., a nonprofit organization, was incorporated August 21, 1986, for the purpose of, but not limited to, providing charitable and educational services for the betterment of members of the community with primary emphasis on disabled and disadvantaged children.

Donated Services and Materials - Members of the community provide voluntary services directly to program participants; while such services are of worth, the value of these contributed services is not measured and recorded in the financial statements. Significant donations of materials are recorded as revenue at fair value.

Recognition of Donor Restrictions - Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Marketable Securities - Investments in marketable securities are reported at their fair values in the statements of financial position. Net investment gains (losses) in the statements of activities include realized and unrealized gains and losses. Marketable securities consist of \$1,443,476 and \$891,920 invested in bonds at June 30, 2006 and 2005, respectively.

Fixed Assets - Fixed assets are capitalized at cost (or, if donated, at fair value at the date of donation) and are depreciated over their estimated useful lives using the straight-line method (see Note 4).

Income Taxes - The Organization is a tax-exempt organization under Internal Revenue Code Section 501(a) and is classified as a Section 501(c)(3) public charity.

Allocation of Costs - Direct costs are charged to the appropriate program and indirect costs are allocated to the programs proportionate to each program's usage.

Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

KIDS ON THE MOVE, INC.
NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

Net Assets - Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Note 2. Cash

At June 30, 2006, the carrying amount of cash deposits is \$161,732 and the bank balance is \$177,294, \$6,708 of which is covered by federal depository insurance. The Organization also had \$13,565 deposited with a broker, all of which is covered by the Securities Investor Protection Corporation.

Note 3. Accounts Receivable

Accounts receivable consist of the following at June 30, 2006 and 2005:

	<u>2006</u>	<u>2005</u>
Early Intervention Grant	\$ 138,509	\$ 18,727
Early Head Start	2,000	-
Other	<u>57,324</u>	<u>4,769</u>
	<u>\$ 197,833</u>	<u>\$ 23,496</u>

Note 4. Fixed Assets

The Organization's policy is to capitalize costs for property and equipment of \$1,000 or more. The Organization is required to maintain property records for all fixed assets acquired using federal grant monies. For such property, any money received at the time of the asset's disposal must be retained in the program or returned to the federal government. Fixed assets held by the Organization at June 30, 2006 and 2005 are summarized as follows:

	<u>2006</u>	<u>2005</u>	
	Cost or Donated Value	Cost or Donated Value	Estimated Useful Life
Land	\$ 235,000	\$ -	N/A
Building	2,289,679	2,289,679	40 Years
Land improvements	24,275	24,275	15 Years
Equipment	<u>554,851</u>	<u>549,948</u>	5-7 Years
	3,103,805	2,863,902	
Accumulated depreciation	<u>(640,763)</u>	<u>(512,943)</u>	
Net fixed assets	<u>\$ 2,463,042</u>	<u>\$ 2,350,959</u>	

KIDS ON THE MOVE, INC.
NOTES TO FINANCIAL STATEMENTS

Note 5. Restricted Net Assets

The Organization receives donations that are specifically restricted by the donor. During the years ended June 30, 2006 and 2005, the Organization received \$10,000 and \$6,000, respectively, in funds restricted by the donors. These donations were restricted for the following purposes at June 30, 2006 and 2005:

	<u>2006</u>	<u>2005</u>
Temporarily Restricted:		
Program Services	\$ 3,072	\$ 4,664
Other	<u>2,113</u>	<u>6,377</u>
	5,185	11,041
Permanently Restricted:		
Endowment	<u>10,000</u>	<u>-</u>
	<u>\$ 15,185</u>	<u>\$ 11,041</u>

Note 6. Supplemental Disclosures of Cash Flows Information

The Organization paid no interest or income taxes for the years ended June 30, 2006 and 2005.

The Organization received \$256,149 of in-kind contributions, \$21,150 in the form of the fair value of the use of land occupied by the Organization's buildings, during the year ended June 30, 2006. The remaining \$234,999 represents the fair value of land donated to the Organization on June 30, 2006.

The Organization received \$70,500 of in-kind contributions, in the form of the fair value of the use of land occupied by the Organization's buildings, during the year ended June 30, 2005.

Note 7. Retirement Plan

The Organization adopted a retirement plan on July 1, 1995. The plan is a tax-sheltered annuity for employees who meet certain eligibility and service requirements. For the years ended June 30, 2006 and 2005, employees contributed \$34,015 and \$20,830, respectively, to the annuity. The Organization matched these contributions to the plan totaling \$6,557 and \$0 during the years ended June 30, 2006 and 2005, respectively.

KIDS ON THE MOVE, INC.
NOTES TO FINANCIAL STATEMENTS

Note 8. Economic Dependency

The Organization receives most of its revenue from Early Intervention, Early Head Start, and related programs, which are federal programs. State appropriations are also received as part of the Early Intervention program. The Organization is limited to providing Early Intervention services to residents living within the Alpine School District boundaries and Early Head Start services to residents living within Utah County boundaries.

Note 9. Matching Contributions

Under the grant agreement with the U.S. Department of Health and Human Services (Early Head Start) for the years ended June 30, 2006 and 2005, the Organization is required to match 20 percent of federal expenditures with non-federal contributions.

The Organization's total matching contribution for the years ended June 30, 2006 and 2005, was \$154,079 and \$179,552, respectively. The total matching contribution requirement for the years ended June 30, 2006 and 2005 were \$150,359 and \$179,552, respectively.

The amounts required for matching contributions have not been recorded in the financial statements as discussed in Note 1, but have been reported for compliance with the Organization's grant agreement with the U.S. Department of Health and Human Services (Early Head Start).

Note 10. Related Party Transactions

The Organization rented golf course facilities for \$0 and \$4,000 from a board member during the years ended June 30, 2006 and 2005, respectively. The rental of the golf course was for a fund raising activity.

Note 11. Internal Transactions

The Organization's child care activity is a supporting service to the program services of the Organization. During the year ended June 30, 2006, child care recorded \$60,493 and \$101,528 of revenue charged to the Early Intervention and Early Head Start programs, respectively. During the year ended June 30, 2005, child care recorded \$54,592 and \$44,316 of revenue charged to the Early Intervention and Early Head Start programs, respectively.

Note 12. Line of Credit

The Organization established a line of credit with a bank during the year ended June 30, 2003. At June 30, 2006 and 2005, the outstanding balance was \$30,000 and \$0, respectively.

KIDS ON THE MOVE, INC.
NOTES TO FINANCIAL STATEMENTS

Note 13. Operating Leases

The Organization leases office equipment under two operating leases. Monthly payments on these leases are \$1,096 and \$360 per month. Payments on these leases during the years ending June 30, 2006 and 2005, were \$13,850 and \$16,281, respectively.

Estimated future annual lease payments are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Minimum</u> <u>Lease Payments</u>
2007	\$ 4,320
2008	720

**SUPPLEMENTARY INFORMATION AND REPORTS IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS AND OMB CIRCULAR A-133**

Year Ended June 30, 2006

KIDS ON THE MOVE, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
Year Ended June 30, 2006

	Program Services		Supporting Services	
	Early Intervention	Early Head Start	Management and General	Totals
Compensation	\$ 1,230,369	\$ 493,091	\$ 266,981	\$ 1,990,441
Employee benefits	219,542	63,402	56,897	339,841
Depreciation	88,056	32,351	19,918	140,325
Insurance	11,625	4,292	2,811	18,728
Dues	3,423	1,030	187	4,640
Building maintenance	29,396	11,013	6,654	47,063
Equipment maintenance	44,278	15,506	7,682	67,466
Utilities	17,795	6,617	3,976	28,388
Postage	3,487	1,421	1,174	6,082
Printing	4,854	3,759	1,530	10,143
Accounting services	13,193	4,862	2,970	21,025
Supplies:				
Cleaning	5,071	2,151	1,071	8,293
Office	18,200	5,813	4,106	28,119
Program	45,113	18,040	12,550	75,703
Telephone	16,001	5,876	3,727	25,604
In-service	20,437	14,098	6,438	40,973
Transportation	83,738	16,347	6,628	106,713
Other	4,991	665	27,857	33,513
Total expenses	<u>\$ 1,859,569</u>	<u>\$ 700,334</u>	<u>\$ 433,157</u>	<u>\$ 2,993,060</u>

The accompanying notes are an integral part of these statements.

KIDS ON THE MOVE, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
Year Ended June 30, 2005

	Program Services		Supporting Services	
	Early Intervention	Early Head Start	Management and General	Totals
Compensation	\$ 1,206,912	\$ 427,677	\$ 225,288	\$ 1,859,877
Employee benefits	211,096	64,067	39,048	314,211
Depreciation	92,007	33,151	18,166	143,324
Insurance	11,532	4,607	2,252	18,391
Dues	619	1,057	968	2,644
Building maintenance	56,845	20,435	12,657	89,937
Equipment maintenance	33,666	14,313	8,393	56,372
Utilities	14,563	5,341	3,032	22,936
Postage	3,651	1,330	837	5,818
Printing	5,009	1,810	2,066	8,885
Accounting services	16,712	6,128	3,575	26,415
Supplies:				
Cleaning	4,041	1,573	1,068	6,682
Office	11,835	4,913	6,167	22,915
Program	27,325	24,283	14,663	66,271
Telephone	11,750	4,259	2,928	18,937
In-service	8,747	17,861	3,350	29,958
Transportation	56,870	15,238	4,305	76,413
Other	3,722	326	16,999	21,047
Total expenses	<u>\$ 1,776,902</u>	<u>\$ 648,369</u>	<u>\$ 365,762</u>	<u>\$ 2,791,033</u>

The accompanying notes are an integral part of these statements.

KIDS ON THE MOVE, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2006

Department/Pass-Through Grantor/Program Title	Grantor Number	Federal CFDA Number	Federal Awards Expended	State Match	Total
U.S. Department of Housing and Urban Development:					
Passed through the City of Orem:					
Community Development Block Grant/Entitlement Grants	n/a	14.218	\$ 10,000	\$ -	\$ 10,000
U.S. Department of Education:					
Passed through State of Utah Department of Health:					
Special Education - Grants for Infants and Families with Disabilities	02-6609	84.181	713,643	713,643	1,427,286
Department of Health and Human Services:					
Direct Programs:					
Early Head Start					
Passed through the Utah Department of Workforce Services/ Office of Child Care:	08YC0012/05	93.600	618,707	-	618,707
Child Care and Development Block Grant	n/a	93.575	33,946	-	33,946
Developmental Disabilities Basic Support and Advocacy Grants	n/a	93.630	11,464	-	11,464
Total awards			\$ 1,387,760	\$ 713,643	\$ 2,101,403

Notes to Schedule:

This schedule is prepared using the accrual method of accounting, the same basis of accounting that is used to prepare the financial statements.

Federal awards are recognized as revenues at the time such monies are spent and award requirements have been met.

The Organization also received \$320,573 of Medical Assistance Program (Federal CFDA Number 93.778) monies through the State of Utah Department of Health. These Medicaid monies are included as federal revenues on the statements of activities but are not included on this schedule.

Federal awards expended	\$ 1,387,760
Medicaid monies received	320,573
Federal revenues	\$ 1,708,333

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Independent Auditor's Report on Compliance and on Internal
Control Over Financial Reporting and on Compliance and
On Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

Board of Trustees
Kids on the Move, Inc.

We have audited the financial statements of Kids on the Move, Inc. (a nonprofit organization) as of and for the year ended June 30, 2006, and have issued our report thereon dated September 21, 2006. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

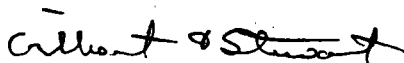
Internal Control Over Financial Reporting

In planning and performing our audit, we considered Kids on the Move, Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Kids on the Move, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, others within the Organization and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



GILBERT & STEWART
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September 21, 2006

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Independent Auditor's Report on Compliance With Requirements
Applicable to Each Major Program and Internal Control Over
Compliance in Accordance with OMB Circular A-133

Board of Trustees
Kids on the Move, Inc.

Compliance

We have audited the compliance of the Kids on the Move, Inc., (a nonprofit organization) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of the major federal programs for the year ended June 30, 2006. Kids on the Move, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Kids on the Move, Inc.'s management. Our responsibility is to express an opinion on Kids on the Move, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Kids on the Move, Inc.'s, compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Kids on the Move, Inc.'s, compliance with those requirements.

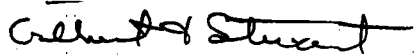
In our opinion, Kids on the Move, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

The management of Kids on the Move, Inc. is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Kids on the Move, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal controls over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, others within the Organization and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



GILBERT & STEWART
Certified Public Accountants

September 21, 2006

KIDS ON THE MOVE, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2006

No matters were reported in the prior year audit.

KIDS ON THE MOVE, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2006

I. Summary of auditor's results:

Financial Statements

Type of auditor's report issued: unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ yes ☒ no
- Reportable condition(s) identified that are not considered to be material weaknesses? ☐ yes ☒ none reported

Noncompliance material to financial statements noted?

☐ yes ☒ no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ☐ yes ☒ no
- Reportable condition(s) identified that are not considered to be material weakness(es)? ☐ yes ☒ none reported

Type of auditor's report issued on compliance for major programs: unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?

☐ yes ☒ no

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

93.600

Early Head Start

Dollar threshold used to distinguish between type A and type B programs:

\$ 300,000

Auditee qualified as low-risk auditee?

☒ yes ☐ no

II. Financial statement findings:
No matters were reported.

III. Federal award findings and questioned costs:
No matters were reported.